

D.T.E. 03-94

Petition of Fitchburg Gas and Electric Light Company for Approval of a Firm Liquid Natural Gas Service Agreement with Distrigas of Massachusetts.

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FOR: KeySpan Energy Delivery New England  
Limited Participant

## I. INTRODUCTION

On October 1, 2003, Fitchburg Gas and Electric Company (“Fitchburg” or “Company”), pursuant to G.L. c. 164, § 94A, submitted a petition to the Department of Telecommunications and Energy (“Department”) for approval of a firm service agreement for the supply of liquefied natural gas (“LNG”) from Distrigas of Massachusetts LLC (“DOMAC”). The case was docketed as D.T.E. 03-94.

KeySpan Energy Delivery filed a Petition for Limited Participant Status, which was granted by the Department. On December 15, 2003, pursuant to notice duly issued, the Department conducted a public hearing. The record consists of seven exhibits, moved into evidence.

## II. DESCRIPTION OF THE CONTRACT

Fitchburg proposes a four year firm LNG service agreement with DOMAC to commence on November 1, 2004 and end on October 31, 2008 (“Agreement”). The Agreement provides for a Maximum Daily Quantity (“MDQ”) of LNG of up to two truckloads per day (approximately 1,800 MMBtu), with a total contract year volume not to exceed 27,000 MMBtu, except for any additional quantities required to fill the final truck to capacity (Exh. FGE-RAB-1, at 2). Fitchburg indicates that its objectives in entering into this contract with DOMAC are to meet peak season requirements in excess of firm pipeline entitlements in a least-cost fashion (Exh. FGE-RAM-1, at 8). The Company states that this Agreement, which remains in effect through October 31, 2008, will provide the necessary supplies to maintain required pressures throughout Fitchburg’s distribution system (Exh. FGE-RAB-1, at 2). The price to be paid by Fitchburg is a negotiated rate that consists

of an annual demand charge, as well as a variable commodity charge equal to the NYMEX natural gas futures settlement price on the last day of trading for the month in which the gas is purchased (Exh. FGE-RAM-3, at 4).

The Company states that in addition to meeting system pressure requirements during peak winter periods, the LNG will also partially meet the peaking needs of the Company's customers<sup>1</sup> (Exh. FGE-RAM-1, at 4). Fitchburg states that the LNG will also be used as a minimum fill to maintain the LNG tank at appropriate cryogenic temperatures during the summer months (id.).

The Company notes that in the past, Fitchburg entered into one-year firm contracts for LNG to satisfy the system pressure requirements (id. at 6). The Company opted for a four-year contract this time because it needs greater assurance of access to the LNG service due to the limited number of LNG suppliers (id.).

### III. STANDARD OF REVIEW

In evaluating a gas utility's resource options for the acquisition of commodity resources as well as for the acquisition of capacity under Section 94A, the Department examines whether the acquisition of the resource is consistent with the public interest. Bay State Gas Company, D.T.E. 98-79, at 1 (1998); Commonwealth Gas Company, D.P.U. 94-174-A at 27 (1996). In order to demonstrate that the proposed acquisition of a resource that provides commodity

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<sup>1</sup> The Company's winter peaking needs are met by a combination of resources which include propane air, LNG, pipeline gas, and upstream storage. See Fitchburg Gas and Electric Light Company, D.T.E. 00-42 (2001).

and/or incremental resources is consistent with the public interest, a local distribution company (“LDC”) must show that, at the time of the acquisition or contract renegotiation, the acquisition (1) is consistent with the Company's portfolio objectives, and (2) compares favorably to the range of alternative options reasonably available to the Company and its customers, including releasing capacity to customers migrating to transportation. Id.

In establishing that a resource is consistent with the company's portfolio objectives, the company may refer to portfolio objectives established in a recently approved resource plan or in a recent review of supply contracts under G.L. c. 164, § 94A, or may describe its objectives in the filing accompanying the proposed resource. Id. In comparing the proposed resource acquisition to current market offerings, the Department examines relevant price and non-price attributes of each contract to ensure a contribution to the strength of the overall supply portfolio. Id. at 28. As part of the review of relevant price and non-price attributes, the Department considers whether the pricing terms are competitive with those for the broad range of capacity, storage and commodity options that were available to the LDC at the time of the acquisition, as well as with those opportunities that were available to other LDCs in the region. Id. In addition, the Department determines whether the acquisition satisfies the LDC's non-price objectives including, but not limited to, flexibility of nominations and reliability and diversity of supplies. Id. at 29.

#### IV. ANALYSIS AND FINDINGS

The Company's objectives in entering into this contract with DOMAC are to meet peak season requirements in excess of firm pipeline entitlements in a least-cost fashion and to maintain system pressures (Exh. FGE-RAM-1, at 8). The Agreement provides for the winter

season refill requirements for Fitchburg LNG facilities from November 1 through October 31 of each contract year to ensure that gas is available when needed during the peak season and to maintain LNG facilities during the off peak season (id.). The Department finds that the Agreement is designed to meet the Company's seasonal refill and storage requirements at a least-cost alternative and is consistent with the Company's proposed portfolio set forth in Fitchburg Gas and Electric Light Company, D.T.E. 03-52. In its most recently approved forecast and supply plan, the Company indicated that it will continue to operate its LNG facilities. See Fitchburg Gas and Electric Company, D.T.E. 00-42 (2001). DOMAC is the only supplier of LNG in the region that can accommodate the Company's LNG refill requirements (Exh. DTE 1-1). Accordingly, the Department finds that the proposed Agreement is consistent with the Company's portfolio objectives.

In determining whether a gas supply or capacity contract compares favorably to the range of alternative options reasonably available, the Department must consider both price and non-price attributes as part of a comprehensive assessment of the proposed contract.

D.P.U. 94-174-A, at 27. The Company negotiated a pricing structure for the proposed agreement, based on the NYMEX index and considered only DOMAC, because currently DOMAC is the only supplier in the region capable of providing the level of service required by the Company (Exh. DTE 1-1). The proposed Agreement will benefit the Company because it assures that Fitchburg will be able to maintain system pressure during peak winter periods, and the four-year term provides long-term stability to its portfolio (Exh. FGE-RAM-1, at 4-6). The Department finds that the Company adequately evaluated the price and non-price factors of the Agreement and the contributions of those factors to the strength of its overall portfolio.

Accordingly, the Department finds that Fitchburg selected a resource that compares favorably to the range of alternative options reasonably available to the Company.

Because the proposed agreement is consistent with the Company's portfolio objectives and compares favorably to the range of alternative options reasonably available to the Company and its customers, the Department finds that Fitchburg's acquisition of this resource is consistent with the public interest. Therefore, this agreement is approved.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That the agreement for LNG service between Fitchburg Gas and Electric Light Company and Distrigas of Massachusetts, filed on October 1, 2003, is approved.

By Order of the Department,

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Paul G. Afonso, Chairman

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James Connelly, Commissioner

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W. Robert Keating, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

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Deirdre K. Manning, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).